Postal Regulatory Commission
Submitted 11/13/2020 3:56:38 PM
Filing ID: 115099
Accepted 11/13/2020

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL SIX)	Docket No. RM2020-13

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(November 13, 2020)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 3, issued November 6, 2020. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

_____
Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
eric.p.koetting@usps.gov
November 13, 2020

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

1. Please refer to Docket No. ACR2019, Library Reference USPS-FY19-7, December 27, 2019 (FY 2019 MODS Manual), PDF file "M-32 MODS Handbook.pdf." The Postal Service states "[f]or mechanized and automated operations, WebEOR calculates [Total Piece Handling (TPH)] by subtracting the number of rejected mailpieces from the [Total Pieces Fed (TPF)]." FY 2019 MODS Manual at 17. Please also refer to the Variability Report that provides regression models for machine runtime and workhours as dependent variables and current and lagged TPF as explanatory variables. Variability Report at 20-21.

a. Please discuss why, in regression models used in Proposal Six to estimate variabilities, the Postal Service chose TPF, and not THP, as the explanatory variable.

b. Please discuss whether, for purposes of Proposal Six, the Postal Service tested the regression models of runtime and/or workhours with respect to TPH (instead of TPF). If applicable, please provide the results of such testing, including the program and output files.

c. Please discuss whether TPH can be calculated for operations other than those used in the regression models for DBCS, AFSM100, and FSS machine operations.

RESPONSE:

a. As noted in the Variability Report at 7-8, TPF represents the total number of pieces processed on automated equipment, and thus is the direct driver of machine runtime, the labor required to staff running machines, and the labor required to move mail into and out of the operations. By excluding the portion of volume that was processed but not successfully sorted, TPH is an incomplete measure of sorting operations' output. Costs for handling pieces included in TPF but not TPH are part of the cost pools' accrued costs, and observations of handlings of rejected pieces will in general form some portion of the cost pools' distribution keys. As a practical matter, however, TPH is highly correlated with TPF for the operations studied in Proposal Six, and substituting TPH for TPF in

the variability equations would be expected to have little effect on the measured elasticities.

b. The table below shows labor elasticities and standard errors resulting from substituting TPH for TPF in the Proposal Six variability equations, and shows that using TPH as the output measure produces results that are qualitatively and quantitatively highly similar to the results using TPF. The estimation code and output are provided in new folder USPS-RM2020-13-4.

Labor elasticities from TPF (Proposal Six) versus TPH regressions
FY2016-19 sample period, 5% productivity screen

	TPF Model (Proposal Six)		TPH Model	
Operation	Elasticity	Std Error	Elasticity	Std Error
AFSM	0.774	0.091	0.773	0.091
DBCS	0.976	0.032	0.971	0.032
FSS	0.804	0.070	0.794	0.071

c. MODS TPF are available more broadly for automated mail processing operations, where TPF represents the number of articles of mail processed on the equipment (including rejects). These additional operations would represent parcel and bundle processing equipment, sack sorters, tray sorters, and universal sorters. MODS TPH is available for automated and manual distribution operations that handle individual pieces of mail (i.e., letter, flat, and parcel piece distribution). For certain operations that are used to distribute articles of mail other than single mailpieces (e.g., trays, bundles, or sacks), MODS reports a "non-add TPH" variable that is conceptually similar to TPH for operations

processing single letter, flat, or parcel pieces. For manual operations where direct counts of pieces (or other articles of mail) processed are not available, TPH is determined by a variety of imputation methods (e.g., automatic crediting based on automated processing volumes for manual letters and flat TPH) rather than by direct counts.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

2. Please refer to Variability Report that provides regression models (2) through (5) for machine runtime and workhours. Variability Report at 20-21. These models include current and lagged TPF as explanatory variables and use monthly data by plant. *Id.*

a. For the following three variables used in the referenced regression models, $MachineRuntime_{it}$, $Workhours_{it,}$ and TPF_{it}, please discuss in detail (or provide references to the applicable documentation that discusses in detail) how the underlying raw data were collected.

b. Please confirm that a single machine runtime hours number for DBCS, AFSM100, and FSS types of machine operations is collected at the machine level each time a machine is operated.

c. If question 2.b. is not confirmed, please explain how runtime hours are collected and/or provide the detailed references to the applicable documentation.

d. Please explain (or provide the detailed references to the applicable documentation that explains) how workhours for each postal employee involved in DBCS, AFSM100, and FSS types of machine operations are computed and recorded.

e. Please confirm that TPF is compiled each time when a machine is turned on and off.

f. If question 2.e. is not confirmed, please explain how TPF is compiled and/or provide the detailed references to the applicable documentation.

g. For the following three variables used in the referenced regression models, $MachineRuntime_{it}$, $Workhours_{it,}$ and TPF_{it}, please discuss in detail (or provide references to the applicable documentation that discusses in detail) how the underlying raw data were aggregated to produce the monthly level data for DBCS, AFSM100, and FSS machine operations by plant.

RESPONSE:

a. Pieces of automated mail processing equipment generate end-of-run (EOR) files at the conclusion of each processing run. The EOR files provide data including equipment statistical data files and counts of TPH and TPF by MODS operation and time, and are the sources of runtime, TPH, and TPF. MODS workhours are generated from clock ring data generated at employee badge readers in Postal Service facilities, which

are collected in the Time and Attendance Collection System (TACS) and imported into WebMODS. See the MODS M-32 Handbook (most recently provided as part of USPS-FY19-7) at 8-9. Chapters 3 and 4 of the MODS M-32 Handbook describe (respectively) MODS volume and workhour procedures in additional detail.

b. Partly confirmed. As noted in the response to part (a), EOR data files, including runtime and volume counts, are generated at the completion of each mail processing run. Data from maintenance runs are not transmitted to WebMODS. See the MODS M-32 Handbook at 9.

c. Not applicable.

d. Please see the response to part (a).

e. Please see the response to parts (a)-(b).

f. Please see the response to parts (a)-(b).

g. The WebMODS system aggregates EOR and TACS data to produce workhours, TPF, and runtime (among other variables) by finance number, MODS operation number, and time interval (e.g., MODS tour, day, week, month). The input data for the Proposal Six analysis were pulled from the MODS database at the level of finance number-operation-month observations for FY2011-FY2019. For FY2007-FY2010, the MODS data were obtained by tour for each month, with monthly observations constructed by summing the data over the MODS tours. Further aggregation of the data to the monthly data by operation group employed in Proposal Six was documented in USPS-RM2020-13-NP1.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

3. Please refer to Variability Report that states "[t]he fixed-effects model is consistent when the latent variables are correlated with the observed variables, which is the general case. Other estimators, such as the random-effects model, may be efficient in the special case of unobserved effects that are uncorrelated with the other regressors (in which case, the fixed-effects model remains statistically consistent), but inconsistent if the zero-correlation requirement is violated." Variability Report at 20 n.9.

a. Please discuss whether it is a good econometric practice to consider testing a random-effects model when it is reasonable to conclude that unobserved variables vary over time.

b. Please discuss whether, for purposes of Proposal Six, the Postal Service attempted to measure or examine the stability of any unobserved variables (including, but not limited to managerial expertise, staffing levels, number of DBCS, AFSM, or FSS machines, or any specific socio-demographic factors) within each plant over the sample period. Please provide the results of such analysis, if applicable, and include data, program and output files with your response.

c. If the response to question 3.b. indicates that the Postal Service had not attempted to measure or examine the stability of any unobserved variables, please discuss in detail the reasons for choosing the fixed-effects model without testing the assumptions underlying the random-effects model.

RESPONSE:

a. The question appears to imply that random-effects models allow unobserved effects to vary over time, when a comparable fixed-effects model would not. In actuality, either modeling approach can allow for individual-varying unobserved effects, or for time-varying unobserved effects, or for both individual-varying and time-varying unobserved effects. Neither model, however, allows for time-varying individual effects.

Rather, the differences between the fixed-effects and random-effects model relate to the assumptions made on the nature of the effects. In the random-

effects model using Generalized Least Squares (GLS) estimation, the individual and/or time effects are assumed to be independently drawn from sampling distributions with zero mean and finite variance, so they must be uncorrelated across time and over individuals. Significantly, the random effect model also assumes the effects to be uncorrelated with the observed regressors. See, e.g., Cheng Hsiao, Analysis of Panel Data (Cambridge University Press, 1986) at 33. Violations of this assumption would render the random-effects model biased and inconsistent, and the inconsistency of the random-effects model under violations of its assumptions form the basis for classic specification tests such as the Hausman Test. Indeed, a classic example of the restrictiveness of random-effects model assumptions is the effect of unobservable managerial ability on production. *Id.* at 43; 48-49.

Given the highly restrictive nature of the random-effects model's assumptions and the adverse consequences of violations for bias and consistency, standard econometric practice has tended to favor use of fixed-effects models over random-effects models as a primary method for analyzing panel data. See, e.g., Joshua D. Angrist and Jörn-Steffen Pischke, *Mostly Harmless Econometrics: An Empiricist's Companion* (Princeton University Press, 2009) at 223. ("[W]e prefer fixing OLS standard errors to GLS. GLS requires stronger assumptions than OLS, and the resulting asymptotic efficiency gain is likely to be modest, while finite-sample properties may be worse.")

b. The Postal Service considered, and implemented, seasonal effects to capture time-varying factors that may affect workhours on annual cycles. The seasonal variables may control for peak-season operational policies and cyclical (including but not limited to peak-season) workforce composition effects such as variations in utilization of career and non-career employees.

Plant staffing levels themselves would not be appropriate to include as independent variables in the labor elasticity regressions, as they would at least in part be determined simultaneously with operation-level labor use. The simultaneity would violate standard regression modeling assumptions.

As noted in the response to part (a), above, management quality is a classic example of an unobserved if not unobservable latent effect motivating the use of the fixed-effects model in panel data analysis. The Postal Service does not have data to quantify changes in management quality. Limiting the amount of time variation in factors such as management quality, facility layouts, or local demographics is a partial motivation for employing a relatively short time period for the regression sample periods—i.e., the proposed four-year period rather than the full FY2007-FY2019 period.

The Postal Service considered "two-way" fixed-effects models allowing more general time-varying effects than the seasonal effects included in the Proposal Six model specification. This approach was not preferred due to the weak

theoretical basis for non-seasonal time period effects and the statistically insignificant differences between the two-way and Proposal Six results. Labor elasticities for the two-way fixed-effect models are shown in the table below. Estimation code and output are provided in new folder USPS-RM2020-13-4.

Labor elasticities from one-way vs. two-way fixed-effects models
FY2016-19 sample period, 5% productivity screen

	Proposal Six		Two-Way Fixed Effects	
Operation	Elasticity	Std Error	Elasticity	Std Error
AFSM	0.774	0.091	0.821	0.090
DBCS	0.976	0.032	0.944	0.031
FSS	0.804	0.070	0.711	0.110

c. As noted in the responses to parts (a) and (b), the random-effects model's required assumptions for statistical unbiasedness and consistency are restrictive. The Proposal Six models control for seasonal time-varying factors, and the choice of sample period functions in part to limit the extent to which time-varying latent factors may change. Finally, as shown in the table below, the Hausman test rejects the random-effects model for all three operation groups covered by Proposal Six. Estimation code and output for the Hausman tests are provided in new folder USPS-RM2020-13-4.

Hausman Test Statistics for H0: Random-Effects vs. HA: Fixed-Effects

Operation	Test Statistic	P-Value
AFSM	384.89	<0.001
DBCS	66.98	<0.001
FSS	52.52	<0.001

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

4. Please refer to Tables 3 and 4 of the Variability Report that provides "[h]eteroskedasticity-consistent standard errors…for elasticities (clustered by panel variable)." Variability Report at 22-23.

a. Please confirm that the standard errors were clustered by:

i. plant, and/or

ii. type of operations (DCSS [sic], AFSM100, and FSS)

b. If question 4.a. is not confirmed (or partially confirmed), please discuss the clustering approach and explain why the heteroskedasticity-consistent standard errors were not clustered by plant and/or type of operation.

c. If question 4.a. is confirmed (or partially confirmed), please explain the type of the heterosckedasticity [sic] that clustering of errors by plant and/or type of machine operation attempted to address.

RESPONSE:

a. Confirmed that the standard error calculations are based on clustering by plant within operation groups. While the clustering variable is defined, mechanically, as a combination of the plant site ID and operation group, the samples for the estimating equations are defined by operation group (DBCS, AFSM100, and FSS).

b. Please see the response to part (a).

c. The clustered standard errors are intended to address heteroskedasticity in the regression residuals due primarily to variations in plant size across the Postal Service's mail processing system. Additionally, the clustered standard error calculations allow observations to be correlated within clusters. See *Stata User's Guide, Release 15* (College Station, TX: Stata Press, 2017) at 325-326 for the clustered variance formula.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

5. Please refer to Library Reference USPS-RM2020-13/NP1, September 15, 2020, folders "Source" and "2011_2019_raw," Excel file "opmap19.xlsx," folder "Programs and Workbook," log file "analysis_set.txt."

a. Please confirm that workhours and TPF for Management Operation Data System (MODS) operation numbers 530 and 538 were used to estimate the FSS mail processing variability. If not confirmed, please provide the MODS operation numbers that were used to obtain the required workhours and TPF.

b. Please confirm that MODS operation numbers listed in rows 1 through 9 of Table 1 below, were used to obtain workhours and TPF to estimate the DBCS mail processing variability. If not confirmed, please provide the MODS operation numbers that were used to obtain these workhours and TPF.

c. If question 5.b. is confirmed, please explain why MODS operation numbers listed in rows 1 through 9 of Table 1 below, were used in the DBCS regression models in Proposal Six.

d. Please confirm that MODS operation numbers listed in rows 10 through 34 of Table 1 below, were not used to obtain workhours and TPF to estimate the DBCS variabilities. If not confirmed, please explain how these MODS operation numbers were used to obtain the referenced workhours and TPF.

e. If question 5.d. is confirmed (or partially confirmed), please explain why all or any of the MODS operation number listed in rows 10 through 34 of Table 1 below, were not used in the DBCS regression models in Proposal Six.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

TABLE 1

Row	MODS Operation Number	LDC	Description
1	271	11	DBCS/DIOSS OSS O/G PRIMARY
2	291	11	DBCS BULKY - O/G PRIMARY
3	381	11	MULTIMODE BULKY O/G PRIMARY
4	481	11	MULTIMODE O/G PRIMARY
5	891	11	DBCS/DIOSS BCS O/G PRIMARY
6	898	11	DBCS/DIOSS BCS SEC/SEG, 1ST PASS
7	899	11	DBCS/DIOSS BCS SEC/SEG, 2ND PASS
8	918	11	DBCS/DIOSS BCS DPS, 1ST PASS
9	919	11	DBCS/DIOSS BCS DPS, 2ND PASS
10	266	11	DBCS/DIOSS OCR I/C SECONDARY
11	273	11	DBCS/DIOSS OSS MANAGED MAIL
12	274	11	DBCS/DIOSS OSS I/C SCF PRIMARY
13	294	11	DBCS BULKY – SCF
14	296	11	DBCS BULKY - I/C SECONDARY
15	314	11	DBCS/DIOSS BCS INTL EXPORT PRIMARY
16	382	11	MULTIMODE BULKY O/G SECONDARY
17	383	11	MULTIMODE BULKY MMP
18	384	11	MULTIMODE BULKY SCF
19	385	11	MULTIMODE BULKY I/C PRIMARY
20	386	11	Multimode Bulky I/C Secondary
21	482	11	MULTIMODE O/G SECONDARY
22	483	11	MULTIMODE MMP
23	484	11	MULTIMODE SCF
24	485	11	MULTIMODE I/C PRIMARY
25	486	11	MULTIMODE I/C SECONDARY
26	848	11	DIOSS MULTIMODE INTL IMPORT
27	849	11	DIOSS MULTIMODE INTL EXPORT
28	892	11	DBCS/DIOSS BCS O/G SECONDARY
29	893	11	DBCS/DIOSS BCS MANAGED MAIL
30	894	11	DBCS/DIOSS BCS I/C SCF PRIMARY
31	895	11	DBCS/DIOSS BCS I/C PRIMARY
32	896	11	DBCS/DIOSS BCS I/C SECONDARY
33	916	11	DBCS/ALPS BCS DPS 1ST PASS
34	917	11	DBCS/ALPS BCS DPS 2ND PASS

Source: Library Reference USPS-RM2020-13/NP1, folders "Source" and "2011_2019_raw," Excel file "opmap19.xlsx."

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

RESPONSE:

a. Confirmed that operations 530 and 538 constitute the FSS operation group in FY2019 and also are the operations associated with the FSS cost pool in Cost Segment 3.1. However, note that in some earlier years, MODS operation 531 was defined as an FSS operation.

b. While the MODS operations in rows 1-9 of the table are included in the DBCS operation group for FY2019, they are not the only included operations. The full list of operations in the DBCS group for the Proposal Six analysis is the list provided in the table below. These are the operations associated with the groups numbered 7-12 in the opmap19.xlsx workbook, consistent with the criterion inrange(group, 7, 12) in line 10 of program analysis_set.do, which is equivalent to ((group>=7) and (group<=12)). Rows 1-9 are the operations only in groups 7 and 12, and exclude operations in groups 8-11.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

List of MODS Operations Included in Proposal Six DBCS Operation Group

Operation	LDC	Description	Group (USPS-FY19-23)
266	11	DBCS/DIOSS OCR I/C SECONDARY	11
271	11	DBCS/DIOSS OSS O/G PRIMARY	7
273	11	DBCS/DIOSS OSS MANAGED MAIL	9
274	11	DBCS/DIOSS OSS I/C SCF PRIMARY	10
291	11	DBCS BULKY - O/G PRIMARY	7
294	11	DBCS BULKY - SCF	10
296	11	DBCS BULKY - I/C SECONDARY	11
381	11	MULTIMODE BULKY O/G PRIMARY	7
382	11	MULTIMODE BULKY O/G SECONDARY	8
383	11	MULTIMODE BULKY MMP	9
384	11	MULTIMODE BULKY SCF	10
385	11	MULTIMODE BULKY I/C PRIMARY	10
386	11	Multimode Bulky I/C Secondary	11
481	11	MULTIMODE O/G PRIMARY	7
482	11	MULTIMODE O/G SECONDARY	8
483	11	MULTIMODE MMP	9
484	11	MULTIMODE SCF	10
485	11	MULTIMODE I/C PRIMARY	10
486	11	MULTIMODE I/C SECONDARY	11
891	11	DBCS/DIOSS BCS O/G PRIMARY	7
892	11	DBCS/DIOSS BCS O/G SECONDARY	8
893	11	DBCS/DIOSS BCS MANAGED MAIL	9
894	11	DBCS/DIOSS BCS I/C SCF PRIMARY	10
895	11	DBCS/DIOSS BCS I/C PRIMARY	10
896	11	DBCS/DIOSS BCS I/C SECONDARY	11
897	11	DBCS/DIOSS BCS BOX SECTION	11
898	11	DBCS/DIOSS BCS SEC/SEG, 1ST PASS	12
899	11	DBCS/DIOSS BCS SEC/SEG, 2ND PASS	12
918	11	DBCS/DIOSS BCS DPS, 1ST PASS	12
919	11	DBCS/DIOSS BCS DPS, 2ND PASS	12

c. The operations listed in the response to part (b) contain 97 percent of workhours in the DBCS cost pool in FY2019, and thus reflect the vast majority of automated letter processing workhours at MODS plants. Nearly all of the excluded workhours are in operations associated with the CIOSS equipment used for the PARS system and with the Low-Cost Reject Encoding Machine (LCREM). Rather than model these groups of relatively small operations, Proposal Six would extend the variability for the DBCS operation group to the entirety of the DBCS cost pool.

d. Please see the response to part (b).

e. Please see the response to part (c). In addition, DBCS/ALPS (Advanced Letter Processing System) operations are excluded, because the DBCS/ALPS equipment is at a testing stage of development.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

6. Please refer to Library Reference USPS-RM2020-13/NP1, folders "Source" and "2011_2019_raw," Excel file "opmap19.xlsx," folder "Programs and Workbook," log file "analysis_set.txt."

a. Please confirm that the following record in the referenced log file "analysis_set.txt"

```
replace `var' = 0 if inlist(oper, 35, 36, 140)
```

means that the workhours and TPF from the following operation numbers 35, 36, or 140 were not included in the AFSM100 regression models. If not confirmed, please explain the meaning for cited record in the log file.

b. Please confirm that the MODS operation numbers listed in rows 1 through 3 of Table 2 below, were used to obtain workhours and TPF to estimate the AFSM100 mail processing variability.

c. If question 6.b. is not confirmed, please explain what MODS operation numbers were used to obtain the referenced workhours and TPF.

d. If question 6.b. is confirmed, please explain why MODS operation numbers listed in rows 1 through 3 of Table 2 below, were used in the AFSM100 regression models in Proposal Six.

e. Please confirm that the MODS operation numbers listed in rows 4 through 31 of Table 2 below, were not used to obtain workhours and TPF to estimate the AFSM100 mail processing variability.

f. If question 6.e. is not confirmed, please explain how these MODS operation numbers were used to obtain the referenced workhours and TPF.

g. If question 6.e. is confirmed, please explain why each of the MODS operations listed in rows 4 through 31 of Table 2 below, was not used in this AFSM100 regression models in Proposal Six.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

TABLE 2

Row	MODS Operation Number	LDC	Description
1	331	12	AFSM100 OUTGOING PRIMARY
2	146	12	AFSM 100 - ATHS/AI - I/C SEC
3	147	12	AFSM 100 - ATHS/AI - BOX SECTION
4	35	17	FLAT MAIL PREPARATION
5	36	17	FPARS PREP
6	140	17	MAIL PREPARATION ATHS/AI MACHINE
7	141	12	AFSM 100 - ATHS/AI - O/G PRI
8	142	12	AFSM 100 - ATHS/AI - O/G SEC
9	144	12	AFSM 100 - ATHS/AI - I/C SCF
10	145	12	AFSM 100 - ATHS/AI - I/C PRI
11	146	12	AFSM 100 - ATHS/AI - I/C SEC
12	147	12	AFSM 100 - ATHS/AI - BOX SECTION
13	194	12	AFSM100 - INTL EXPORT
14	305	12	FSM 1000 INTL EXPORT PRIMARY
15	332	12	AFSM100 OUTGOING SECONDARY
16	333	12	AFSM100 MANAGED MAIL
17	334	12	AFSM100 INCOMING SCF
18	335	12	AFSM100 INCOMING PRIMARY
19	336	12	AFSM100 INCOMING SECONDARY
20	337	12	AFSM100 BOX SECTION
21	401	12	AFSM 100 - ATHS - O/G PRI
22	402	12	AFSM 100 - ATHS - O/G SEC
23	404	12	AFSM 100 - ATHS - I/C SCF
24	405	12	AFSM 100 - ATHS - I/C PRI
25	406	12	AFSM 100 - ATHS - I/C SEC
26	407	12	AFSM 100 - ATHS - BOX SECTION
27	461	12	AFSM 100 - AI - O/G PRI
28	462	12	AFSM 100 - AI - O/G SEC
29	464	12	AFSM 100 - AI - I/C SCF
30	465	12	AFSM 100 - AI - I/C PRI
31	466	12	AFSM 100 - AI - I/C SEC

Source: Library Reference USPS-RM2020-13/NP1, folders "Source" and "2011_2019_raw," Excel file "opmap19.xlsx."

RESPONSE:

a. Partly confirmed. The referenced line sets the values of several MODS variables to zero, including the workload variables, to avoid potential double-counting of processing volumes in the distribution and prep operations within the AFSM

group. However, workhours are not altered. The relevant code is the following loop:

```
foreach var in m_tph m_natph m_tpf m_fhp runtime downtime {
        replace `var' = 0 if inlist(oper, 35, 36, 140)
}
```

Note that the iterator 'var' takes on the variable names in the list between 'in' and the opening bracket. Workhours (variable m_hrs) are not included in the list of variable names used by the iterator, and thus are not altered by the 'replace' statement.

b. While the MODS operations in rows 1-3 of the table are included in the AFSM 100 operation group for FY2019, they are not the only included operations. The full list of operations in the AFSM operation group for the Proposal Six analysis is the list provided in the table below. These are the operations associated with the groups numbered 21-44 in the opmap19.xlsx workbook, plus the mail preparation operations 035 and 140. This is consistent with the criterion "inrange(group, 21, 44) | inlist(oper, 35, 36, 140)" for inclusion in the AFSM group in line 12 of program analysis_set.do, which evaluates to true for operations in groups 21-44 (inclusive) as well as operations 35, 36, and 140. Line 28 of analysis_set.do subsequently excludes operation 036 (FPARS prep). Rows 1-3 are the operations only in groups 21 and 44, and exclude operations in groups 22-43 as well as operations 35 and 140 that are assigned to the AFSM operation group.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

List of MODS Operations Included in Proposal Six AFSM 100 Operation Group

Operation	LDC	Description	Group (USPS-FY19-23)
141	12	AFSM 100 - ATHS/AI - O/G PRI	39
142	12	AFSM 100 - ATHS/AI - O/G SEC	40
143	12	AFSM 100 - ATHS/AI - MAN MAIL	41
144	12	AFSM 100 - ATHS/AI - I/C SCF	42
145	12	AFSM 100 - ATHS/AI - I/C PRI	43
146	12	AFSM 100 - ATHS/AI - I/C SEC	44
147	12	AFSM 100 - ATHS/AI - BOX SECTION	44
331	12	AFSM100 OUTGOING PRIMARY	21
332	12	AFSM100 OUTGOING SECONDARY	22
333	12	AFSM100 MANAGED MAIL	23
334	12	AFSM100 INCOMING SCF	24
335	12	AFSM100 INCOMING PRIMARY	25
336	12	AFSM100 INCOMING SECONDARY	26
337	12	AFSM100 BOX SECTION	26
401	12	AFSM 100 - ATHS - O/G PRI	27
402	12	AFSM 100 - ATHS - O/G SEC	28
403	12	AFSM 100 - ATHS - MAN MAIL	29
404	12	AFSM 100 - ATHS - I/C SCF	30
405	12	AFSM 100 - ATHS - I/C PRI	31
406	12	AFSM 100 - ATHS - I/C SEC	32
407	12	AFSM 100 - ATHS - BOX SECTION	32
461	12	AFSM 100 - AI - O/G PRI	33
462	12	AFSM 100 - AI - O/G SEC	34
463	12	AFSM 100 - AI - MAN MAIL	35
464	12	AFSM 100 - AI - I/C SCF	36
465	12	AFSM 100 - AI - I/C PRI	37
466	12	AFSM 100 - AI - I/C SEC	38
467	12	AFSM 100 - AI - BOX SECTION	38
35	17	FLAT MAIL PREPARATION	n/a

140	17	MAIL PREPARATION ATHS/AI MACHINE	n/a

c. Please see the response to part (b).

d. The operation numbers provided in the response to part (b) encompass 96 percent of workhours associated with the AFSM100 cost pool in FY2019 and thus are the basis for the vast majority of the total labor cost in the cost pool . In FY2019, the excluded hours are mainly associated with flat PARS (FPARS) processing and flat preparation, with remaining FSM/UFSM 1000 operations, and with some international mail operations that are not widely employed at non-ISC MODS plants. Given the withdrawal from service of most of the related equipment, the Postal Service expects few or no FSM/UFSM 1000 workhours and costs to be included in the AFSM100 cost pool going forward. Rather than model groups of relatively small and/or irregularly used operations, Proposal Six would extend the variability for the AFSM operation group to the entirety of the AFSM 100 cost pool.

e. Not confirmed. Please see the response to parts (b) and (d).

f. Please see the response to part (b).

g. Please see the response to part (d)

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

7. The Postal Service states "[t]he variabilities would apply to the mail processing portion of the cost pools' accrued costs—i.e., the total accrued costs of the pools less costs 'migrated' to other components within Cost Segment 3." Petition, Proposal Six, at 6. For each type of machine operation, DBCS, AFSM100, and FSS, please provide MODS operation numbers that contain costs/hours to which the proposed variabilities will be applied, and also explain why they will be applied. For example, for DBCS machine operations, please discuss whether and why the proposed DBCS variability will be applied to the costs/hours for MODS operations listed in rows 1 through 9 or any other rows of Table 1.

RESPONSE:

The most recent sets of MODS operations associated with the cost pools to which the Proposal Six variabilities would be applied are provided in Docket No. ACR2019, USPS-FY19-7, file USPS-FY19-7 part1.xlsx, Table I-2B. Please see the responses to Questions 5(a), 5(c), and 6(d) of this ChIR for a discussion of the coverage of the cost pools by the Proposal Six operation groups, and the rationale for extending the estimated DBCS and AFSM elasticities to relatively small subsets of operations in the cost pools that were excluded from the analysis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

8. Please *see* Attachment, filed under seal.

RESPONSE:

Please see the response provided under seal as part of the Preface of USPS-RM2020-13-NP3.